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United Stores Corporation

Report to Stockholders
Year Ending December 31, 1934

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OFFICERS

GEORGE K. MORROW, *Chairman of the Board*

R. W. JAMESON, *President*

RANDOLPH CATLIN, *Vice-President*

GEORGE WATTLEY, *Secretary and Treasurer*

BOARD OF DIRECTORS

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FREDERICK K. MORROW

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GEORGE K. MORROW

R. W. JAMESON

H. HOBART PORTER

THOMAS H. MCINNERNEY

WALTER B. RYAN, JR.

EUGENE W. STETSON

UNITED STORES CORPORATION

605 BROAD STREET

NEWARK, N. J.

APRIL 11, 1935.

To the Stockholders of

UNITED STORES CORPORATION:

There are presented herewith the following financial statements of United Stores Corporation for the year ending December 31, 1934, with the report of Messrs. Price, Waterhouse & Co. thereon:

Balance Sheet.

Statement of Income and Expense.

Statement of Earned Surplus.

Statement of Capital Surplus.

On January 31, 1935, American Tobacco Company commuted its lease from Tobacco Products Corporation (the old Virginia company) which was pledged as security for the 6½% Collateral Trust Debentures of Tobacco Products Corporation of New Jersey. This automatically caused the Debentures to become due and payable on that date. These Debentures constituted a substantial part of your Corporation's assets. Inasmuch as practically all of the current income of your Corporation was derived from these Debentures, it was necessary temporarily to suspend the dividends on the preferred stock.

Your Corporation has been making substantial investments in McLellan Stores Company and in McCrory Stores Corporation, chain store enterprises now in the process of reorganization and whose reorganization it is believed will be shortly accomplished. The current earnings of these corporations indicate a very substantial revenue for your Corporation as soon as reorganization has been completed and the earnings of these corporations become available for dividends. This should enable resumption of dividends on the preferred stock of your Corporation. Your Directors are confident that these investments will prove to be profitable for your Corporation and produce very satisfactory earnings. They are, of course, giving consideration to the reinvestment of the Company's cash.

For the information of the stockholders there are enclosed herewith copies of the annual reports of Tobacco Products Corporation of Delaware and Tobacco Products Corporation of New Jersey for the year ending December 31, 1934.

By Order of the Board of Directors,

GEORGE K. MORROW,

Chairman.

**UNITED STORES
BALANCE SHEET—**

ASSETS

Cash in banks	\$ 453,488.03
Accrued interest on Tobacco Products Corporation of New Jersey 6½% Debentures ..	61,598.34
Receivable from Tobacco Products Corporation of Delaware	45,414.24
Notes receivable and accrued interest thereon	120,022.27

Investments:

After write-down authorized by the Board of Directors as at May 31, 1933:

Tobacco Products Corporation of New Jersey:—
6½% collateral trust debentures, at par \$5,686,000.00

Tobacco Products Corporation of Delaware:—
20,851.2529 shares of capital stock (63.2% of total outstanding) as valued by the Board of Directors in 1933 at approximate book value of \$30 per share (plus 588 shares subsequently purchased at cost of \$17,666.75) 625,564.33

United Cigar Stores Company of America (bankrupt):
Certificates of deposit for 23,803 shares preferred stock (13.9% of total outstanding) at nominal value 1.00

The Union Tobacco Company:
Class A stock—24,795 shares }
Common stock— 4,530 shares } at nominal value. 1.00

At cost including fees and charges in connection with acquisition, bankruptcy proceedings, etc.:

Cigar Stores Realty Holdings, Inc. (bankrupt):
\$4,073,000* par value 5½% debentures and \$10,000 par value debentures certificates of deposit, less 50% liquidating dividends received 971,504.41

* Including \$138,500 par value subject to rights retained by the sellers in respect of the assets of Cigar Stores Realty Holdings, Inc. bankrupt estate pursuant to agreement with the Debentureholders Protective Committee dated July 25, 1933.

McLellan Stores Company, stocks and obligations 2,995,572.74
(Operated by Irving Trust Company, Trustee in Bankruptcy.)

McCrory Stores Corporation, stocks and obligations 1,360,161.72
(In reorganization under section 77B of the Bankruptcy Act.)

11,638,805.20
\$12,319,328.08

*To the Board of Directors of
UNITED STORES CORPORATION:*

We have made an examination of the balance sheet of United Stores Corporation as at December 31, 1934 and the results of its operations for the year.

56 Pine Street,
New York.
April 10, 1935.

CORPORATION
DECEMBER 31, 1934

LIABILITIES

Bank loan, due on demand, secured by Tobacco Products Corporation of New Jersey debentures	\$ 1,750,000.00
Accounts payable	329,616.28
Unclaimed dividends	2,643.74
Accrued franchise and capital stock taxes	13,800.00
Provision for Federal income tax	45,000.00

Capital stock and capital surplus:—

Capital stock:

\$6 cumulative convertible preferred stock, without par value, preferred over class A and common as to \$115 per share plus accrued dividends on dissolution:

Authorized —101,800 shares

Outstanding—101,495 shares at stated capital of \$2,537,375.00

NOTE—Preferred dividends have accumulated from August 15, 1929 less \$15.18¾ paid on account.

Class A stock without par value, convertible, preferred over common as to \$4.20 per annum non-cumulative and as to \$75 per share on dissolution:

Authorized —1,042,400 shares

Outstanding— 915,979* shares at stated capital of 4,579,895.00

Common stock without par value:

Authorized—2,955,800 shares, including 1,576,958½ shares reserved for conversion of preferred and class A stocks.

Outstanding, less in treasury—504,258½* shares at stated capital of 252,129.25

*Including shares exchangeable for outstanding certificates of deposit.

Capital surplus, per statement attached 2,793,080.37

10,162,479.62
15,788.44

Earned surplus since May 31, 1933, per statement attached

Contingent liability: Professional expenses in connection with reorganization plans of companies in which this corporation has investments.

NOTE: The company's investment in Tobacco Products Corporation of Delaware is carried on the basis of the commutation value of a lease to American Tobacco Company as shown by the books of Tobacco Products Corporation of New Jersey. In January 1935 the lessee commuted the lease but the exact amount which is payable thereunder is in litigation. The value of the investment in Tobacco Products Corporation of Delaware is contingent upon the outcome of this litigation as well as taxes, if any, payable by Tobacco Products Corporation of New Jersey upon the funds received from American Tobacco Company.

\$12,319,328.08

er 31, 1934 and of the statements of income and surplus for the year 1934. In connection therewith, we the depositaries in respect of cash and securities owned by the corporation. with and subject to the notations appearing thereon, present the position of United Stores Corporation at December

PRICE, WATERHOUSE & Co.

UNITED STORES CORPORATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDING DECEMBER 31, 1934

Income :

Interest on Tobacco Products Corporation of New Jersey 6½% collateral trust debentures	\$413,036.56
Interest on notes and advances	6,034.23
	<u>\$419,070.79</u>

Expenses :

Stock transfer expenses	\$11,531.51
General and administrative expenses	38,980.47
Additional expenses in connection with survey of the business of United Cigar Stores Company of America (bankrupt)	3,500.00
Interest on bank loans	10,502.78
Franchise and capital stock taxes	19,710.47
Provision for Federal income tax	45,000.00
	<u>129,225.23</u>
Net income for the year carried to earned surplus	<u><u>\$289,845.56</u></u>

NOTE: Fees and charges in connection with the acquisition of stocks and obligations, bankruptcy proceeding, etc., have been charged direct to investment account.

UNITED STORES CORPORATION

STATEMENT OF EARNED SURPLUS SINCE MAY 31, 1933 FOR THE YEAR ENDING DECEMBER 31, 1934

Earned surplus at December 31, 1933 per report to stockholders for that year	\$ 55,806.57
Net income for the year 1934 per statement attached	289,845.56
	<u>\$345,652.13</u>
<i>Deduct</i> —Dividends paid on \$6.00 cumulative convertible preferred stock:	
March 15, 1934 at 81¼¢ per share.....	\$82,465.93
June 15, 1934 at 81¼¢ per share.....	82,465.92
September 15, 1934 at 81¼¢ per share.....	82,465.93
December 15, 1934 at 81¼¢ per share.....	82,465.91
	<u>329,863.69</u>
Earned surplus at December 31, 1934, per balance sheet	<u><u>\$ 15,788.44</u></u>

STATEMENT OF CAPITAL SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1934

Capital surplus at December 31, 1933 per report to stockholders for that year	\$2,721,740.81
<i>Add:</i>	
Excess of proceeds from sale of Tobacco Products Corporation of New Jersey 6½% collateral trust debentures over par value thereof	69,070.56
Excess of proceeds from sale of Cigar Stores Realty Holdings, Inc. (bankrupt) 5½% debentures over average cost thereof	2,269.00
Capital surplus at December 31, 1934, per balance sheet	<u><u>\$2,793,080.37</u></u>

